

DAILY POINTS

July 3, 2026 @ 7:55 EST

Contributors

Derek Holt

VP & Head of Capital Markets Economics
Scotiabank Economics
416.863.7707
derek.holt@scotiabank.com

Chart 1

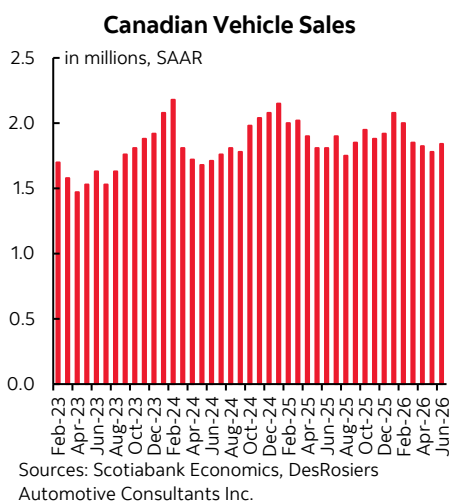
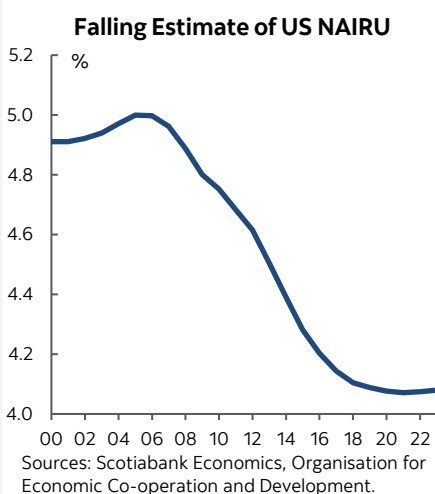


Chart 2



On Deck for Friday, July 3rd

Country Date Time Indicator

Period

BNS

Consensus

Latest

No Scheduled Indicators

KEY POINTS:

- **Dollar softens, equities higher as weak US jobs reduce Fed hike risk**
- **Hiking because of a lower UR would be folly for the Fed**
- **Canada is getting it done on megaprojects**
- **US markets shut ahead of holiday**
- **No calendar-based risk to end the week**

It's a very light end to the week because of light global developments and with the US bond and equity markets shut today ahead of their July 4th holiday. Gilts and EGBs are cheaper by 2-3bps across maturities and markets while Canada's curve is flat. Oil is little changed. US and Canadian equity futures are slightly positive while European cash markets are mixed with London lower, Paris flat, and gains elsewhere. Overnight Asian equity markets rallied partly on reduced risk of near-term Fed tightening post payrolls. The dollar is broadly softer against most majors but flat to the yen and CAD.

There were no overnight releases or major developments and there is nothing material on tap for the rest of the day. Late yesterday's update for Canadian vehicle sales posted an approximate 3% m/m SA gain in June (chart 1).

THE FOLLY OF TIGHTENING FED POLICY BECAUSE OF A LOWER UR

There is little to no aftermath to yesterday's US job market readings that landed close to my expectations for nonfarm payrolls and the unemployment rate (recap [here](#)). OIS pricing for the September meeting is holding at about 15bps, down from the full quarter point hike previously priced at the peak and still too high in my view. The dollar is weakening again this morning against most major crosses except CAD.

FOMC officials often look to the unemployment rate as an indication of how they are achieving the full employment half of their dual mandate. A lower unemployment rate—all else equal—could be a relatively more hawkish signal than a higher one. Some use this as rationale to tighten policy if the unemployment rate dips too low.

Except they shouldn't do so now and for two reasons.

First, the 4.2% unemployment rate isn't necessarily tight. The OECD's estimate for the equilibrium rate of unemployment in the US pre-dates tighter immigration policy but rounds up to 4.1% and the CBO's fresher measure of the short-term equilibrium rate is similar at 4.2%. As chart 2 shows, the OECD's estimate moved steadily lower over time and could well be lower now. In turn, this resurrects debate over exactly what is the equilibrium rate, the short answer being we don't know, and we'll only know once we've crossed it. The FOMC should be having the same debate over where the equilibrium rate sits as it has had several times in its past rather than jumping to conclusions.

Second, while yesterday's drop in the UR to 4.2% matched my estimate, it was an illusory indication of health in the US job market. The only reason it fell is that the size of the labour force experienced a more disastrous decline (-720k m/m) than the almost as disastrous drop in employment (-507k m/m) within the household survey from which the UR is derived. It's silly to suggest that policy should tighten when both numbers are in a tailspin but the labour force is shrinking faster than jobs. And I mean tailspin. On a year-to-date basis, the household survey is showing 1.73 million lost jobs and a labour force that

July 3, 2026

is smaller by 2.1 million folks. Again, it's possible that the equilibrium rate of unemployment is falling partly because of tighter immigration policy.

MEGAPROJECTS — THIS IS FAST, FOR CANADA!

While it still faces plenty of hurdles—including whether it lands on the preferred list of major projects with a decision by October 1st—a new west coast pipeline and capacity increases to the existing Trans Mountain pipeline offer significant export potential to Asian markets. The 1 million bpd new proposed pipeline and the 300k bpd expansion of the Trans Mountain pipeline to 1.19 mbpd for a combined capacity increase of 1.3 mbpd should be welcomed by all Canadians. At present prices for heavy crude using the Western Canada Select proxy it would be about US\$25 billion of added oil exports per year. More information is available in the Alberta government's [proposal](#) including a map in the appendix that shows the new proposed routes as well as the PMO's releases [here](#) and [here](#) with the latter being a link to the agreements with the BC government on other major projects.

None of this will impact the near-term. It's not market moving stuff in terms of what the BoC is going to do tomorrow, or by year-end. These are projects that will take years to approve, build and come to fruition, but they are a welcome start after ten years of watching resource riches flow elsewhere to the US, Putin, possibly Venezuela now, and elsewhere while Canada naively kept its resource riches in the ground. By comparison to Canada's past, it's feasible that the country is moving from a dithering, glacial pace of securing new investments toward something more in keeping with the needs of our times.

Fixed Income	Government Yield Curves (%):												Central Banks		
U.S. CANADA GERMANY JAPAN U.K. CANADA GERMANY JAPAN U.K.	2-YEAR			5-YEAR			10-YEAR			30-YEAR			Current Rate		
	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk			
	4.14	4.14	4.09	4.23	4.23	4.13	4.48	4.49	4.37	4.99	4.99	4.87	Canada - BoC	2.25	
	2.75	2.76	2.74	3.05	3.06	3.01	3.44	3.44	3.38	3.85	3.85	3.79			
	2.53	2.50	2.52	2.64	2.61	2.59	2.93	2.90	2.85	3.51	3.49	3.41	US - Fed	3.75	
	1.39	1.39	1.41	1.94	1.94	1.88	2.79	2.79	2.62	4.05	4.04	3.83			
	4.14	4.12	4.13	4.32	4.30	4.28	4.80	4.78	4.73	5.53	5.51	5.45	England - BoE	3.75	
	Spreads vs. U.S. (bps):														
	-139	-138	-135	-118	-117	-112	-104	-104	-99	-114	-113	-107	Euro zone - ECB	2.40	
	-161	-164	-158	-159	-162	-154	-155	-158	-152	-148	-150	-146			
-274	-275	-268	-229	-229	-225	-170	-170	-175	-93	-95	-104	Japan - BoJ	1.00		
0	-2	3	9	7	15	31	29	36	55	53	58				
Equities	Level						% change:						Mexico - Banxico	6.50	
	Last	Change			1 Day	1-wk	1-mo	1-yr							
S&P/TSX	34967	109.7			0.3	0.7	0.5	29.3						Australia - RBA	4.35
Dow 30	52900	594.8			1.1	1.9	4.0	18.0							
S&P 500	7483	0.0			0.0	1.7	1.3	19.2						New Zealand - RBNZ	2.25
Nasdaq	25833	-207.4			-0.8	1.9	0.5	25.4							
DAX	25668	86.8			0.3	4.0	3.5	7.2							
FTSE	10617	-35.5			-0.3	1.0	2.8	20.3							
Nikkei	69744	1010.9			1.5	0.6	4.7	75.2							
Hang Seng	23350	295.0			1.3	1.2	-8.9	-3.0							
CAC	8472	-2.6			-0.0	1.0	3.9	9.3							
Commodities	Level						% change:								
WTI Crude	68.39	-0.30			-0.4	-1.2	-28.8	2.1							
Natural Gas	3.25	0.05			1.6	0.5	1.1	-4.7							
Gold	4179.97	57.62			1.4	2.2	-5.7	25.7							
Silver	#VALUE!	#VALUE!			#####	#VALUE!	#####	#VALUE!							
CRB Index	353.03	-0.83			-0.2	-0.8	-6.2	17.7							
Currencies	Level						% change:								
USDCAD	1.4197	0.0015			0.1	0.0	2.2	4.5							
EURUSD	1.1448	0.0016			0.1	0.6	-1.3	-2.6						Mexico - Banxico	Aug 06, 2026
USDJPY	161.14	0.0300			0.0	-0.4	0.7	11.2						Australia - RBA	Aug 11, 2026
AUDUSD	0.6939	0.0017			0.2	0.6	-2.7	5.6							
GBPUSD	1.3356	0.0010			0.1	1.2	-0.5	-2.2						New Zealand - RBNZ	Jul 07, 2026
USDCHF	0.8028	-0.0008			-0.1	-0.9	1.4	1.0							

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including: Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorized by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.